

Message Text

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17

ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

PA-02 PRS-01 USIA-15 /096 W
----- 001114

R 032253Z MAR 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5796

UNCLAS OTTAWA 0765

PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJ: BANK OF CANADA LOWERS SECONDARY RESERVE
REQUIREMENTS

REF: OTTAWA 0007

1. ON FEB 28 BANK OF CANADA ANNOUNCED LOWERING OF
SECONDARY RESERVE REQUIREMENTS FOR CHARTERED BANKS FROM
6 PERCENT TO 5 1/2 PERCENT, EFFECTIVE IN MARCH. THIS
ACTION IS THIRD TIME IN AS MANY MONTHS THAT BANK HAS
LOWERED RATE (REFTEL, THUS INCREASING FREE LIQUID
ASSET HOLDINGS OF BANKS AND EASING SLIGHTLY THEIR
ABILITY TO MAKE MORE LOAN MONEY AVAILABLE.

2. TEXT OF ANNOUNCEMENT AS FOLLOWS:

BEGIN QUOTE

THE BANK OF CANADA ANNOUNCED TODAY THAT THE MINIMUM
SECONDARY RESERVE RATIO OF THE CHARTERED BANKS WAS BEING
REDUCED FROM 6 PERCENT TO 5 1/2 PERCENT, EFFECTIVE IN
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MARCH 1975. THIS RATIO HAD BEEN REDUCED FROM 8 PERCENT TO

7 PERCENT EFFECTIVE IN DECEMBER 1974, AND TO 6 PERCENT EFFECTIVE IN JANUARY 1975.

COMMENTING ON THE CHANGE THE GOVERNOR OF THE BANK OF CANADA, MR. GERALD K. BOUEY, NOTED THAT ITS IMMEDIATE IMPACT WILL BE AN INCREASE IN THE FREE LIQUID ASSET HOLDINGS OF THE CHARTERED BANKS BUT THAT, AS IN THE CASE OF THE DECEMBER AND JANUARY REDUCTIONS IN THE RATIO, THE SUBSEQUENT EFFECT ON BANK LIQUIDITY WILL DEPEND ON THE EXTENT TO WHICH THIS INCREASE IS OFFSET THROUGH THE CASH RESERVE MANAGEMENT AND OPEN MARKET OPERATIONS OF THE BANK OF CANADA. END QUOTE. PORTER

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NNN

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